Bellway p.l.c.

Interim Management Statement

Thursday 5 June 2014

Bellway is today updating the market with regard to its current trading position by issuing an Interim Management Statement (IMS) in respect of the period from 1 February to 31 May 2014.

Highlights

- Strong sales performance with an 11% increase in the weekly reservation rate to 177 per week during the period (2013 – 160 per week).

- Value of forward order book of homes due for completion beyond 31 July 2014, significantly ahead at £670 million (31 May 2013 – £380 million).

- £400 million expended on land and land creditors since 1 August (2013 – £270 million), providing an excellent base for future growth.

- Strong balance sheet maintained with net bank debt of only £47 million (31 May 2013 – £95 million).

Ted Ayres, Chief Executive, commented:

"The strong UK housing market and our disciplined approach to land investment provides a significant opportunity for ongoing volume growth. The Group has a substantial balance sheet and operational capacity for further expansion. Land with detailed planning permission is already in place to achieve next year's volume growth aspirations. This strong position, together with a focus on improving return on capital employed, ensures that Bellway remains well placed to deliver further enhancement to shareholder value."

Market and current trading

Demand for new homes remains robust, buoyed by growing consumer confidence and a strong supply of mortgage finance. Significant investment in land over recent years has enabled Bellway to respond positively to these market conditions and accordingly the Group has taken an average of 177 reservations per week since 1 February (2013 – 160), an increase of 11% compared with the same period last year.

The government's Help to Buy shared equity scheme continues to be an important selling incentive, providing more widespread access to mortgage finance. The Group has taken 879 reservations using this incentive since 1 February.

Demand from within the London boroughs, where the Group continues to offer affordable product in the context of the local market, remains strong and more pronounced than elsewhere in the country. Customers' use of Help to Buy mortgages in and around London is about one third of the rate in other regions.

This continued strength of consumer demand, together with an acceleration of construction programmes, means that the Board now expects the number of legal completions to increase by around 20% for the year ending 31 July 2014.

The average selling price continues to improve due to changes in product and geographic mix. Furthermore, the Group has benefited from modest net pricing gains, largely as a result of a reduction in the use of selling incentives, together with underlying selling price improvements on some new sites brought to the market, primarily in and around London. As a consequence, the Board now expects the Group to achieve an average selling price slightly in excess of £210,000 for the current financial year.

The favourable trading environment, a more efficient absorption of the overhead base and an increasing proportion of completions from land acquired since the downturn, should result in the Group achieving an operating margin of around 17%. Provided market conditions remain unchanged, the Board expects to build upon this further during the next financial year.

Land buying and financial position

The Group's strategy of volume growth is underpinned by employing strict capital disciplines in respect of land acquisition. Whilst adopting this approach, the Group has spent £400 million on land and land creditors since 1 August (2013 – £270 million) and has terms agreed on a further 4,900 plots. Furthermore, Bellway has all of its land requirements in place, with the benefit of detailed planning permission, in order to meet next year's volume growth aspirations.

Bellway continues to benefit from a low cost of bank debt and therefore uses bank finance to fund land acquisitions in instances where this is a more cost effective source of finance than land creditors. At 31 May, the Group had net bank debt of £47 million (31 May 2013 – £95 million), having redeemed its £20 million 9.5% preference shares on 7 April 2014.

Outlook

The Group has all reservations in place to achieve the current year volume growth target. In addition, the strong trading performance has resulted in a substantial forward order book, comprising reservations with a value of £670 million (2013 – £380 million) due for completion beyond 31 July 2014. This positive position should ensure that Bellway is well placed to deliver further volume growth, subject to market conditions remaining unchanged and challenging construction targets being met.

Beyond that, the Group's capacity from its 15 operating divisions, strong balance sheet and significant consented land bank provides opportunity for ongoing growth. This, together with a focus on improving return on capital employed, should lead to a further sustainable enhancement in shareholder return.

FOR FURTHER INFORMATION PLEASE CONTACT:

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